

Message Text

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 8532

INFO ZE/AMCONSUL OPORTO (POUCH)

UNCLAS LISBON 6341

E.O. 11652: N/A

TAGS: ETRD, PO

SUBJECT: CONGRESSIONAL INQUIRY: FRIEMANIT

REF: STATE 227230

1. SINCE SEPTEMBER 2 COMMATT, CONSUL IN OPORTO AND STAFFS HAVE PERSONALLY SEEN OR CONTACTED BY TELEPHONE FOLLOWING PERSONS AND GOP AGENCIES: CHIEF OF CABINET OF MINISTER OF COMMERCE, PRESIDENT AND OTHER OFFICIALS PORTUGUESE EXPORT DEVELOPMENT FUND (FFE), MEMBER OF CABINET OF MINISTER OF LABOR, CHIEF OF CABINET OF SECRETARY OF STATE FOR LIGHT INDUSTRY, REPRESENTATIVE OF INSTITUTE TO SUPPORT SMALL AND MEDIUM ENTERPRISES (MPME), AND OFFICIALS OF BANCO PORTUGUESE DO ATLANTICO. IN ADDITION, COMMATT AND LABOR ATTACHE DISCUSSED PROBLEM WITH FINANCIAL AND LABOR ADVISORS OF PRIME MINISTER. ALL OFFICIALS CONTACTED WERE INFORMED OF USG INTEREST IN PREVENTING SERIOUS LOSS TO FRIEMANIT IF SALES ORDER FOR CLOTHING SHOULD NOT BE FILLED OR HAVE TO BE CANCELLED. EMBASSY OFFICIALS ALSO POINTED OUT TO CERTAIN OFFICIALS USG CONCERN THAT PORTUGAL WAS RISKING MUCH NEEDED FOREIGN EXCHANGE. CONTACTS HAVE APPARENTLY ELICITED LITTLE CONCRETE PROGRESS ON RESOLVING DISPUTE.

2. REASONS FOR DIFFICULTY IN SETTLING PROBLEM ARE COMPLEX AND VARIED. GOP IS CONCERNED THAT BELGIAN OWNER, WHO WAS PURGED (SANEADO), MAY RETURN TO PORTUGAL AND CONTEST ACTIVITY OF SOCOTIL. BANCO PORTUGUES DO ATLANTICO MAINTAINS THAT FIRM IS BEING MISMANAGED BY WORKERS AND

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IS POOR COMMERCIAL RISK. BANK REFUSES TO PROVIDE

CURRENT FINANCING UNLESS GOP GUARANTEES REPAYMENT.
GOP WILL NOT GUARANTEE REPAYMENT WITHOUT MANAGEMENT
CONTROL, AND NEW GOP POLICY IS AGAINST INTERVENTIONS
IN PRIVATE SECTOR. FFE RECOGNIZES POSSIBLE LOSS OF
IMPORTANT MARKET AND HAS BEEN ACTIVE BUT INEFFECTIVE.
DIVISION AMONG WORKERS, NONPAYMENT OF WORKERS'
SALARIES FOR LAST TWO MONTHS, AND NEW GOP POLICY TO
STOP CREDIT FOR SALARIES FURTHER COMPLICATE MATTER.

3. MINISTER OF COMMERCE'S CHIEF OF CABINET MESQUITA
INFORMED COMMATT ON SEPTEMBER 14 THAT HE WAS ATTEMPTING
TO INSTALL COMPETENT TECHNICIANS TO RUN FACTORY ON
INTERIM BASIS, THUS PROVIDING BANK SUFFICIENT
BASIS TO MAKE LOAN (COMMATT UNDERSTANDS TWO MONTH
SALARY NECESSARY TO PRODUCE KILVERSON ORDER IS \$120,000).
TO ARRANGE LONGER TERM, MORE PERMANENT SETTLEMENT,
MESQUITA PLANS CALL MEETING ALL INTERESTED PORTUGUESE
PARTIES, BELGIAN OWNER OF SOCOTIL AND KILVERSON.
EMBASSY WILL KEEP DEPARTMENT INFORMED.
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